



Alliance of Western Milk Producers

Representing California's dairy cooperatives and their producer-owners since 1991

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November 5, 2004

The Honorable A.G. Kawamura, Secretary
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814

Subject: Dairy Institute Class 1 Hearing Request 11/03/04

Dear Secretary Kawamura:

The Department has received yet another request from the Dairy Institute of California for a hearing to make adjustments to the Class 1 price formulas for Northern and Southern California.. The Alliance membership is vehemently opposed to a hearing being granted on this petition and urges the Department to deny the Institute's request.

The only thing different about this request from the one you denied back in September is the approach the Institute is taking as reasons for you granting the hearing.

In the denial of the Institute's previous request, the Department stated:

"California may not adopt regulations, the motivation of which is to handicap out-of-state shipments of milk into California."

Regardless of all the code section references in the Institute's request, the impact of what it is asking the Department to do is to handicap milk coming into California at the expense of California producers.

In addition, California statutes require that California Class 1 prices be in reasonable relationship to Class 1 prices in surrounding markets. Looking at the first eleven months of 2004, the Northern California Class 1 price averaged 48 cents per hundredweight **less** that the Portland Class 1 price and 65 cents **less** than the Phoenix Class 1 price. In only one month in either market area was the California Class 1 price higher than the federal order market Class 1 price. Clearly, an adjustment to lower Class 1 prices in California as proposed by the Institute is not justified at this time.

Therefore, the Alliance urges you to deny the Institute's petition as soon as possible.

Sincerely,

Jim Tillison, CEO

cc: Alliance Board of Directors

Candace Gates, Acting Dairy Branch Manager